Bringing more service providers under tax net

2278. SHRIMATI N.P. DURGA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Central Board of Excise and Customs is considering to bring more service providers under the tex net;

(b) whether it is also a fact that CBEC propose to do away the condition that service provider is a commercial concern;

(c) whether the societies and non-profit organizations should also pay 10.2 per cent service tax; and

(d) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The proposals of the Government to increase the coverage of service tax net including the delection of the condition that the service provider is a commercial concern, are contained in clause 68 of the Finance Bill, 2006, introduced by the Finance Minister in Lok Sabha on 28th February, 2006.

(c) and (d) At present, service tax is leviable on eighty four taxable services specified in clause (105) of Section 65 of Finance Act, 1994. The status of the person liable to pay service tax is specified in the respective taxable service.

Spending on infrastructure development

2279. DR. ALLADI P. RAJKUMAR: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government instead of spending in infrastructure development has reserved 20 per cent of its revenue as surplus with RBI;

(b) what is the purpose of having that much of unspent money when the Banks are battling for liquidity crunch; and

(c) whether it is helping Government to curtail fiscal deficit and inflation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) No, Sir.

(b) The surplus cash balance of Central Government arise from interplay of various factors, including surplus cash balances of State Governments through investment in 14 days, intermediate treasury bills of Government

of India. RBI has announced that it would make available liquidity so that the growth momentum is maintained, consistent with interest rate regime.

(c) Surplus cash balance of Central Government do not impact the fiscal deficit.

Reduction of rate of excise duty on vehicles

2280. SHRI R. K. ANAND: Will the Minister of FINANCE be pleased to state:

(a) whether Government have reduced the rate of excise duty on motor vehicles in the budgets of 2001-2002 to 2003-04 and if so, the details thereof;

(b) whether the major motor vehicle manufacturers did not pass on the benefit of excise duty reduction to comsumers and retained the reduced excise amount of about Rs.927.31 crore;

(c) whether these manufacturers during 2001-04 increased the cost of their vehicles despite reduction in the prices of major raw materials used by the manufacturers; and

(d) what action Government propose to take against vehicle manufacturers for cheating public?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) Yes, Sir. In budget 2001-02, excise duty on passenger cars was reduced from 40% to 32%. In budget 2003-04, excise duty on passenger cars was further reduced from 32% to 24%.

(b) While generally the prices came down consequent to reduction in excise duty, it is a fact that the reduction in prices in some cases, in the long run, were not in proportion to the duty reduction.

(c) The Audit Report of the C&AG for India (Indirect Taxes) for the year 2003-04 on "Excise duty on Motor Vehicles for transport of persons and goods" has pointed out that there was increase in prices of certain models of cars by their manufacturers during the period of study.

(d) The price of a product is a function of several factors, including cost of raw materials, labour costs, power, interest costs and other commercial